

**COMMUNITY BENEFITS AGREEMENT
CASTLE WIND MORRO BAY OFFSHORE WIND FARM PROJECT**

This COMMUNITY BENEFITS AGREEMENT (this “Agreement”) is entered into as of November 29, 2018 (the “Effective Date”), by and between the CITY OF MORRO BAY, a California municipal corporation, (“City”) and CASTLE WIND LLC, a Delaware limited liability company, (“Castle Wind”). Each of City and Castle Wind are sometimes referred to below individually as a “Party” or, collectively, as the “Parties.”

RECITALS

A. Castle Wind is in the process of developing an offshore wind project off the coast of San Luis Obispo County proximate to City (the “Project”), which process includes obtaining various federal, state and local permits, entitlements, and other approvals (“Governmental Agency Approvals”) and entering into related commercial contracts, including the lease described below;

B. Castle Wind and the Morro Bay Commercial Fishermen Organization and the Port San Luis Commercial Fishermen Association (the latter collectively the “Fishermen’s Organizations”) have engaged in extensive review of the potential economic and other impacts of the Project on commercial fishing activities in the vicinity of the Project, and have entered into the Fishermen’s Agreement; and

C. City acknowledges, in addition to the community benefits, described Section , the Parties anticipate the Project will provide significant economic benefits to City and County of San Luis Obispo, as shown in the “Economic Benefits Study” prepared by California Polytechnic Institute, a copy of which is attached as Exhibit B; and

D. This Agreement provides for a cooperative effort between Castle Wind and City for the economic and other benefits of the Project to the Morro Bay community.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby confirmed by each Party, the Parties have agreed to enter into this Agreement and to be bound by this Agreement’s terms and conditions set forth below.

DEFINITIONS

“Agreement” is defined in the introductory paragraph of this Agreement. “BOEM” means the Bureau of Ocean Energy Management.

“BOEM Lease” is defined in Subsection 1(c).

“Castle Wind” means Castle Wind LLC, a Delaware limited liability company.

“CEQA” means the California Environmental Quality Act.

“City” means City of Morro Bay, a California municipal corporation.

“Community Benefits” means the benefits to the Morro Bay community described in Section 1.

“Community Communications Plan” is defined in Subsection 1(a).

“Covered Area” is defined as (1) the Wind Energy Area (WEA) off the coast of central California identified in Exhibit A, attached hereto, (the “Morro Bay WEA”); and (2) the Outfall Conduit.

“Cure Period” is defined in Section 6.

“Default” means any material or substantial failure by a Party to perform its obligations or responsibilities under this Agreement. Minor or technical breaches or deviations from the terms of this Agreement that do not materially affect the rights or obligations of the non-defaulting Party shall not constitute a Default. A Default shall not exist until expiration of the applicable notice and cure period under Section 6.

“Default Notice” is defined in Section 6.

“Defaulting Party” is defined in Section 6.

“Effective Date” is defined in the introductory paragraph of this Agreement.

“Environmental Review Process” means the Government Agencies’ compliance with environmental statutes, including NEPA and CEQA, which may include evaluation of potential impacts to the marine ecosystem, as well as impacts to visual resources, recreational opportunities, navigable channels, cultural resources and the fishing industry;

“Fishermen’s Agreement” is defined in Section 1(b).

“Fishermen’s Organizations.” is defined in Recital B.

“Force Majeure” is defined in Subsection 10(p).

“Government Agencies” refers to the federal, state, and local agencies that are involved in the permitting and approval of the Project, including the Environmental Review Process.

“Governmental Agency Approvals” is defined in Recital A

“Lease Execution Date” is defined in Subsection 4(c).

“Local Economic Development Activities” is defined in Subsection 1(c).

“NEPA” means the National Environmental Policy Act.

“Non-Defaulting Party” is defined in Section 6.

“Option” is defined in Subsection 4(b).

“Option Exercise Date” is defined in Subsection 4(c).

“Outfall Conduit” is defined in Section 4.

“Outfall Conduit Lease” is defined in Section 4.

“Party” or “Parties” is defined in the introductory paragraph of this Agreement.

“Project” is defined in Recital A.

“SAP” means the Site Assessment Plan submitted to BOEM for the Project pursuant to 30 CFR § 585.605 *et seq.*

“Third-Party Transferee” is defined in Subsection 10(b).

Section 1. Community Benefits

(a) Community Communications: Upon the Effective Date, in order to promote (i) open communications and (ii) accountability with the Morro Bay community, Castle Wind shall develop and implement the Community Communications Plan reasonably acceptable to the City Manager, which shall include scheduling, as reasonably requested by City, a series of public meetings with residents and certain interest groups, including various local business concerns, to discuss all aspects of the Project, including potential environmental impacts. City may post timely updates on the Project on its website and social media channels, and provide such reasonable support as may be required in organizing, promoting, and recording such public meetings.

(b) Commercial Fishermen’s Agreement. The Parties acknowledge the Morro Bay community will benefit from the Fisherman’s Agreement, entered into between Fishermen’s Organizations and Castle Wind, dated October 6, 2018 (“Fishermen’s Agreement”). Under the Fishermen’s Agreement, Castle Wind has committed to minimize and mitigate the anticipated impacts to the commercial fishermen from the Morro Bay and Port San Luis communities who

operate within the Covered Area and area proximate to the Project. A summary of the Fishermen's Agreement is attached as Exhibit C.

(c) Local Economic Development Activities: Subject to receipt of a legally binding lease from BOEM for the Wind Energy Area (WEA) portion of the Covered Area ("BOEM Lease"), Castle Wind shall use its best efforts to achieve local economic development goals related to the development and long-term operations and maintenance of the Project ("Local Economic Development Activities"), including, but not limited to:

- (i) promoting local hiring of qualified residents from the Morro Bay community, including handicapped persons,
- (ii) establishing internships/trainee programs with locally located schools and universities;
- (iii) establishing a maintenance and monitoring facility for the Project in the Morro Bay community;
- (iv) promoting local accommodation and the hotel/housing sector during construction phase;
- (v) promoting the local supply chain for construction services (*e.g.* 24/7 construction office), maintenance services (*e.g.* facility management, transportation, catering, waste management, weather forecasts), parts, tools and supplies (*e.g.* personal protection equipment, fuel, auxiliaries);
- (vi) promoting opportunities to generate "green solutions" with electric cars, charging stations and other green sustainable energy solutions;
- (vii) to the extent opportunities arise Castle Wind and City shall work together to develop methods economically advantageous to both for reuse of the former Morro Bay Power Plant, while recognizing that property is under a third-party's ownership and
- (viii) assisting City with the potential formation or implementation of Community Choice Aggregation for the Morro Bay community.

(d) Binding Conditions: As part of the Outfall Conduit Lease, the Parties shall enter into a binding agreement, after negotiating in good faith, establishing priorities and legally enforceable conditions and timelines through and by which Castle Wind and the ultimate developer/owner/operator of the Project shall implement activities needed to accomplish the matters described in Subsection 2(c).

Section 2. Reservation of Discretion by City

The Parties understand, acknowledge and agree, notwithstanding the terms and conditions of this Agreement, certain discretionary actions incidental to matters described in this Agreement (including, without limitation, the grant by City, individually or in conjunction with

another Governmental Agency, of governmental approvals, permits or entitlements with respect to the Project) may require the exercise of discretion by one or more decision-making bodies at City and such discretionary actions cannot lawfully be committed to by contract pursuant to the constitution and laws of the State of California. Nothing in this Agreement is intended or shall be interpreted to limit City's exercise of discretion with respect to any actions needed from City as a Governmental Agency or as a lessor of the Outfall Conduit nor shall anything in this Agreement be construed to (a) grant or commit City to grant, Castle Wind, or any other person, any discretionary governmental approvals, permits or entitlements or leasehold rights with respect to the Project, (b) limit or restrict City's discretion to approve, if at all, or disapprove any term or terms of the Outfall Conduit Lease, or (c) limit or restrict City's discretion with respect to (i) the approval, conditional approval or denial of any development approvals or entitlements that may be required from City for the Project as a Governmental Agency or lessor of the Outfall Conduit Lease, (ii) exercise of any other discretionary authority with respect to the Project possessed by City under the police power, or (iii) any environmental approvals that may be required under CEQA, NEPA or any other federal or state environmental laws or regulations in conjunction with any development approval required for the Project (all such decisions or actions, collectively, "Discretionary Actions"). In the event City takes or fails to take one or more of the Discretionary Actions, any such action or inaction shall not constitute a breach of City's obligations under this Agreement or of any express or implied covenant herein.

Section 3. Mutual Cooperation and Assistance

The successful implementation of this Agreement will require a coordinated effort by Castle Wind and City. The Parties understand, acknowledge and agree, while some of the Community Benefits (such as those set forth in the Fishermen's Agreement) are specific and well-defined, other Community Benefits, including Local Economic Development Activities, will require further delineation and refinement and the terms of the Community Communications Plan and the Outfall Conduit Lease remain to be developed and negotiated in the future. Without limiting the effect of the timing requirements of Subdivision 1 (d), each Party agrees to work together collaboratively with the other Party and to take such further actions and execute such additional documents as may be reasonably necessary to carry out the provisions of this Agreement while preserving, to the maximum extent possible, all material consideration to both Parties and (ii) Castle Wind agrees to use its best efforts, in good faith, to agree upon and implement the Local Economic Development Activities and the Community Communications Plan consistent with their purpose and intent as described in this Agreement, and in a manner that allows the Morro Bay community to realize the Community Benefits and to maximize the economic and other benefits of the Project. City agrees, subject to reservation of discretion with respect to any Discretionary Actions described in Section 2, to reasonably cooperate with, assist and support Castle Wind in the Environmental Review Process and the Governmental Agency Approvals process and to negotiate, in good faith, the terms and conditions of the Outfall Conduit Lease.

Section 4. Outfall Conduit Lease Option

(a) Outfall Conduit. City owns and controls the submerged outfall structure formerly utilized by the Morro Bay Power Plant for discharge of cooling water into Estero Bay north of Morro Rock (“Outfall Conduit”). The Parties acknowledge the Outfall Conduit could be effectively re-utilized to route the export cable that will electrically connect the Project to the Morro Bay substation owned and operated by PG&E, located adjacent to the former Morro Bay Power Plant property, and, thereby, interconnect with the high-voltage transmission system operated by the California Independent System Operator.

(b) Option Consideration. Within 14 calendar days after the Effective Date, Castle Wind shall pay to City \$250,000 (“Option Consideration”), in consideration of which, and subject to, and without waiver or compromise of the reserved discretion of City described in Section 2, Castle Wind shall have the exclusive option (“Option”) to enter into a non-transferable, long-term, mutually agreeable lease of the Outfall Conduit (“Outfall Conduit Lease”).

(c) Exercise of Option, Expiration. If Castle Wind desires to exercise the Option, then it shall (i) within 12 months after having received the legally binding BOEM Lease, have submitted to BOEM a complete SAP and (ii) have delivered written notice to City of the desire to exercise the Option no later than 180 days after BOEM approves the SAP (“Option Exercise Date”). Following the Option Exercise Date, the Parties shall promptly, and in good faith, negotiate the terms and conditions of the Outfall Conduit Lease, subject to, and without waiver or compromise of the reserved discretion of City described in Section 2. If Castle Wind fails to provide timely notice of its desire to exercise the Option or the Parties fail to execute the Outfall Conduit Lease within 120 days after Castle Wind provides notice of its desire to exercise the Option (“Lease Execution Date”), then the Option shall expire and be of no further force or effect and neither Party shall have any rights or obligations pursuant to this Agreement arising from the Option.

Section 5. Term and Termination

The Agreement shall become effective on the Effective Date and shall remain in full force and effect unless or until:

- (a) Notice from Castle Wind to City, Castle Wind has terminated the Project;
- (b) Castle Wind has surrendered the BOEM Lease, or the BOEM Lease has expired;
- (c) The Parties fail to enter into an Outfall Conduit Lease by the Lease Execution Date;
- (d) Castle Wind does not timely make the Option Consideration; or
- (e) The execution of the Outfall Conduit Lease.

Section 6.

(a) Breach, Default and Cure. Before either Party may declare a Default and take any action based thereon (including, without limitation, commencing any administrative or judicial proceeding), the procedures in this Section 6 must be followed. The Party asserting a Default (“Non-Defaulting Party”) may elect to do so by providing written notice to the Party alleged to be in Default (“Defaulting Party”) specifying the nature of the Default and the actions, if any, to be taken by the Defaulting Party to cure or remedy the Default (“Default Notice”). The Defaulting Party shall have 30 days from receipt of the Default Notice within which to cure the Default (the “Cure Period”) and, if it fails to do so within that period, it shall be deemed in Default, and the Non-Defaulting Party may exercise any rights or remedies available under this Agreement, in equity (including the right to specifically enforce this Agreement pursuant to Section 6(b)) or by law; provided, however, that if the nature of the Default is such that it cannot reasonably be cured within 30 days, the Defaulting Party shall be afforded reasonable additional time so long as it commences such cure within the Cure Period and diligently pursues such cure to completion. The provisions of this Subsection 6(a) shall be inapplicable to Section 5.

(b) Equitable Relief. The Parties acknowledge and agree that, in the event of any material breach of this Agreement, damages would be extremely difficult or impossible to determine and that a remedy at law alone would be inadequate and the breach would therefore result in irreparable injury to the non-breaching Party. Accordingly, the Parties agree that, in addition to any other available remedies for material breach, the non-breaching party shall be entitled to obtain both temporary and permanent injunctive relief to enforce the material provisions of this Agreement and to seek specific performance of the obligation as to which the Default exists.

Section 7. Exclusive Nature of Agreement

As consideration for the binding commitment by Castle Wind to provide the Community Benefits and its assumption of the other obligations described herein, City agrees it shall not enter into any similar agreement with any third party to support an offshore wind project in the Covered Area other than the Project.

Section 8. Castle Wind’s Representations and Warranties

Castle Wind represents and warrants to City:

(a) Castle Wind is a duly organized and existing limited liability company under the laws of the State of Delaware, and it has full right, power and authority to carry on its activities and to execute, deliver, perform, comply with and consummate this Agreement.

(b) Except as expressly set forth herein, Castle Wind is relying solely upon its own inspection, investigation and analysis of the foregoing matters and is not relying in any way upon any representations, statements, agreements or other information by or from City not expressly contained in this Agreement.

(c) The execution of this Agreement by Castle Wind, its delivery to City and the performance by Castle Wind of its obligations under this Agreement have been duly authorized by its management.

(d) The execution, delivery, performance of and compliance with this Agreement has not resulted and will not result in any violation of, or be in conflict with, any federal, state or local law, policy or regulation applicable to Castle Wind.

If Castle Wind becomes aware of any act or circumstance which would change or render incorrect, in whole or in part, any representation or warranty made by Castle Wind hereunder, whether as of the Effective Date or any time thereafter through the termination of the Agreement, then Castle Wind shall give immediate written notice of such changed fact or circumstance to City, but such notice shall not release Castle Wind of any liabilities or obligations with respect thereto.

Section 9. City's Representations and Warranties

City represents and warrants to Castle Wind as follows:

(a) City is a duly organized and existing public entity by virtue of the laws of the State of California, and it has full right, power and authority to carry on its activities and to execute, deliver, perform, comply with and consummate this Agreement.

(b) Except as expressly set forth herein, City is relying solely upon its own inspection, investigation and analysis of the foregoing matters and is not relying in any way upon any representations, statements, agreements or other information by or from Castle Wind not expressly contained in this Agreement.

(c) The execution of this Agreement by City, its delivery to Castle Wind and the performance by City of its obligations under this Agreement have been duly authorized by its City Council.

(d) The execution, delivery, performance of and compliance with this Agreement has not resulted and will not result in any violation of, or be in conflict with, any federal, state or local law, policy or regulation applicable to City.

If City becomes aware of any act or circumstance which would change or render incorrect, in whole or in part, any representation or warranty made by City hereunder, whether as of the Effective Date or any time thereafter through the termination of the Agreement, then City shall give immediate written notice of such changed fact or circumstance to Castle Wind, but such notice shall not release City of any liabilities or obligations with respect thereto.

Section 10. Miscellaneous

(a) Advice of Legal Counsel. Each Party acknowledges it has reviewed this Agreement with its own legal counsel, and based upon the advice of that counsel, has freely entered into this Agreement.

(b) Assignment; Successors. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by and against the Parties and their respective successors and permitted assigns. Castle Wind shall be permitted to assign this Agreement, or any portion thereof, to an affiliate or subsidiary of Castle Wind; provided, that Castle Wind remains in control of the affiliate or subsidiary. Castle Wind may also transfer its rights with respect to the Option to a third party in the event Castle Wind fails to secure the BOEM Lease (“Third-Party Transferee”); provided, that any transfer by Castle Wind of any right or obligation under this Agreement shall require the prior written consent of City. Castle Wind shall provide City with written notice of any transfer of any rights or obligations under this Agreement within 10 calendar days after such transfer. City and Castle Wind shall each be entitled to 50 percent of the value received by Castle Wind from a Third-Party Transferee as consideration for the transfer.

(c) Controlling Law. This Agreement shall be enforced in accordance with the laws of the State of California and the United States.

(d) Notices. All notices to either Party under this Agreement shall be in writing and shall be addressed to the affected Party at the addresses set forth below. A Party may change its address by giving notice in compliance with this Subsection 10(d). The addresses of the Parties are:

If to Castle Wind:

Castle Wind LLC
548 Market St #62641
San Francisco, California 94104-540
Tel: 206.300.7721
Facsimile: 425.988.1977
Email: allaw@castlewind.com
Attn: Alla Weinstein, CEO

Copy to:

Perkins Coie, LLP
11988 El Camino Real, Suite 350
San Diego, CA 92130-2594
Tel.: 858.720.5748
Facsimile: 858.720.5799
Email: lzagar@perkinscoie.com
Attn.: Laura Zagar

If to City:

City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442
Tel.: 805.772.6205
Facsimile: 805.772.7329
Email: scollins@morrobayca.gov
Attn: City Manager

Copy to:

Joseph W. Pannone
Aleshire & Wynder, LLP
2361 Rosecrans Avenue, Suite 475
El Segundo, CA 90245-4916
Tel.: 310.527.6663
Facsimile: 310.532.7395
Email: jpannone@awattorneys.com

(e) Counterparts. This Agreement may be executed in counterparts, each of which may be deemed an original, but all of which shall constitute one and the same document, and signatures transmitted by facsimile or email/pdf shall in all respects be treated as originals.

(f) Entire Agreement. The Agreement contains the entire agreement between the Parties and supersedes any prior agreements, discussions, or commitments, written or oral, between the Parties.

(g) Further Assurances. The Parties hereto agree to take such actions and execute such additional documents as are reasonably necessary to carry out the provisions of this Agreement.

(h) Modification. This Agreement may not be altered, amended or modified except by an instrument in writing signed by the Parties to this Agreement.

(i) Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, but the remainder of the provisions can be enforced without failure of material consideration to either Party, then the remainder of the Agreement shall continue in full force and effect.

(j) Venue. Venue for all legal proceedings shall be in the Superior Court of California, County of San Luis Obispo or the United States District Court for Central District of California, if the matter involves federal law.

(k) Waiver. A waiver by any Party of any breach of any term, covenant or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(l) Rules of Construction. In this Agreement, the singular includes the plural; “shall” is mandatory, and “may” is permissive. The Parties acknowledge and agree each of the Parties. In cases of uncertainty as to the meaning, intent or interpretation of any provision of this Agreement, the Agreement shall be construed without regard to which of the Parties caused, or may have caused, the uncertainty to exist. No presumption shall arise from the fact that particular provisions were or may have been drafted by a specific Party, and prior versions or drafts of this Agreement shall not be used to interpret the meaning or intent of this Agreement or any provision hereof.

(m) Time of the Essence. Time is of the essence of each and every obligation of the Parties under this Agreement.

(o) Independent Contractors. Each Party is an independent contractor and shall be solely responsible for the employment, acts, omissions, control and directing of its employees. Except as expressly set forth herein, nothing contained in this Agreement shall authorize or empower a Party to assume or create any obligation or responsibility whatsoever, express or implied, on behalf of or in the name of the other Party or to bind the other Party or make any representation, warranty or commitment on behalf of any other Party. Nothing in this Agreement shall be deemed to create any form of business organization between the Parties, including, without limitation, a joint venture or partnership.

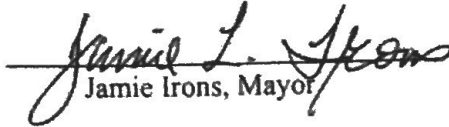
(p) Force Majeure. The obligations of any Party under this Agreement, and all deadlines by which any Party’s obligations hereunder must be performed (“Delayed Obligation”), shall be excused or extended for a necessary period of time equal to any prevention, delay or stoppage in performance which results from any strike, lock-out or other labor or industrial disturbance, regulatory delay, civil disturbance, act of a public enemy, war, riot, sabotage, blockade, embargo, lightning, earthquake, fire, storm, hurricane, tornado, flood, explosion or other delays not within the control of the Party required to perform the Delayed Obligation (“Force Majeure”). Any Party relying on a Force Majeure shall give the other Party written notice of the Delayed Obligation within 30 days after becoming aware or it could have become aware of the Force Majeure; and the Parties shall use their reasonable, good faith efforts to minimize potential adverse effects from such Force Majeure.

[SIGNATURE PAGE FOLLOWS]


IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

CITY OF MORRO BAY

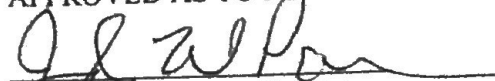
By:


Jamie Irons, Mayor

ATTEST:

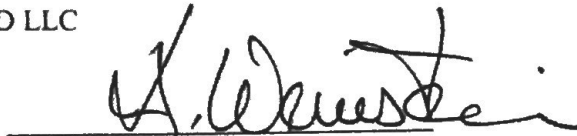

for Dana Swanson, Clerk

APPROVED AS TO FORM:


Joseph W. Pannone, City Attorney

CASTLE WIND LLC

By:


Alla Weinstein, CEO

By:

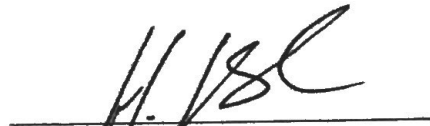

Holger Grubel, COO

Exhibit A

The Covered Area referred to in Sections 5(c) and 6 refers to: (1) the entire potential Wind Energy Area (WEA) designated as “Morro Bay WEA” and as referred to by BOEM and the California Energy Commission; and (2) the Outfall Conduit. The actual Project site location and Outfall Conduit will be defined by the BOEM issued lease and will be subject to potential adjustments during the Environmental Review Process.

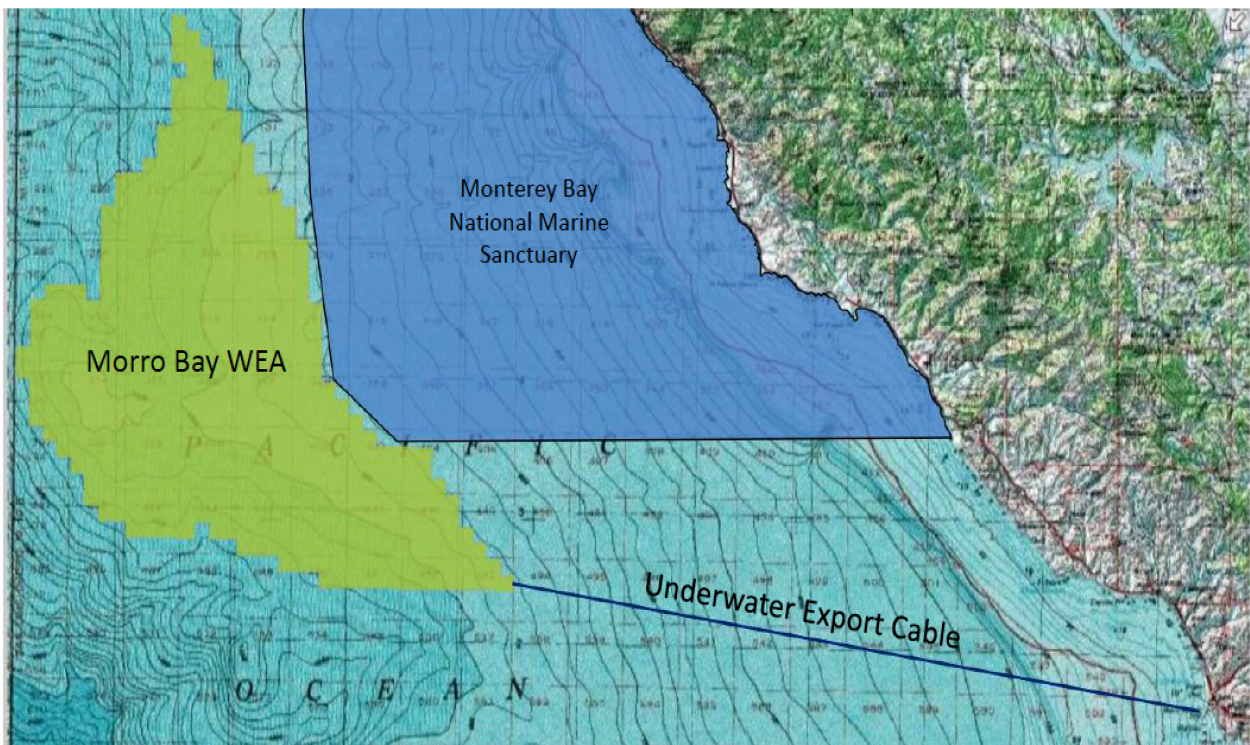


Exhibit B

Economic Benefits Study



Economic and Fiscal Impacts of the Morro Bay Offshore (MBO) Wind Farm Project

May 2, 2018

Stephen F. Hamilton
Professor of Economics
California Polytechnic State University

Prepared for



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EXECUTIVE SUMMARY

This report calculates the economic and fiscal impacts of the proposed Morro Bay Offshore Wind Farm (MBOWF), a 765 megawatt¹ (MW) floating offshore wind farm proposed by Trident Winds.

Table E1 shows the annual local economic output that results from the direct spending in each year of the operation period. The entries in the table include only the benefits resulting from local spending on labor, materials and services and do not include any additional benefits resulting from the value of the energy created.

The *direct impact* reflects the initial change in economic activity from local payroll and construction expenditures over the construction and operation period. The *indirect impact* results from local "business-to-business" transactions necessary to support the direct activity, for instance local purchase of building materials, engineering and consulting services, and other goods purchased from supporting industries. The *induced impact* results when the increased earnings generated by the direct and indirect economic activity is spent on local goods and services, for example when workers at the facility purchase food, clothing, automobiles, real estate, and education, health and social services.

Table E1: SLO County Economic Impact of MBOWF

| Impact | Economic Activity | Job Years (FTEs)[1] | Employee Compensation[2] | Economic Output[3] |
|---------------------------------|---------------------|---------------------|--------------------------|------------------------|
| Operating Phase (Annual) | | | | |
| Direct | Project Development | 28 | \$1,734,259.63 | \$11,053,280.00 |
| Indirect | Local Supply Chain | 23.7 | \$1,188,398.63 | \$3,928,857.77 |
| Induced | Employee Spending | 13 | \$542,170.37 | \$1,682,374.33 |
| Total Operating Phase | | 64.7 | \$3,464,828.63 | \$16,664,512.10 |
| Total Economic Impact | | 64.7 | \$3,464,828.63 | \$16,664,512.10 |

[1] Job estimates include part-time and full-time employment

[2] Employee compensation includes wages and fringe benefits paid for by employers

[3] Economic output includes all local spending on labor, materials, and services, and does not include the value of the energy created.

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

Based on the projected need for direct employment of employees making up 28 job-years for annual operations, it is estimated that MBOWF would create 64.7 full-time equivalent jobs during the operating period in the County.² The total local economic impact of MBOWF is \$16.6 million per year. The share of local benefits attributed to San Luis Obispo County will depend on the success of programs Trident Winds has put in place to emphasize employment in the county.

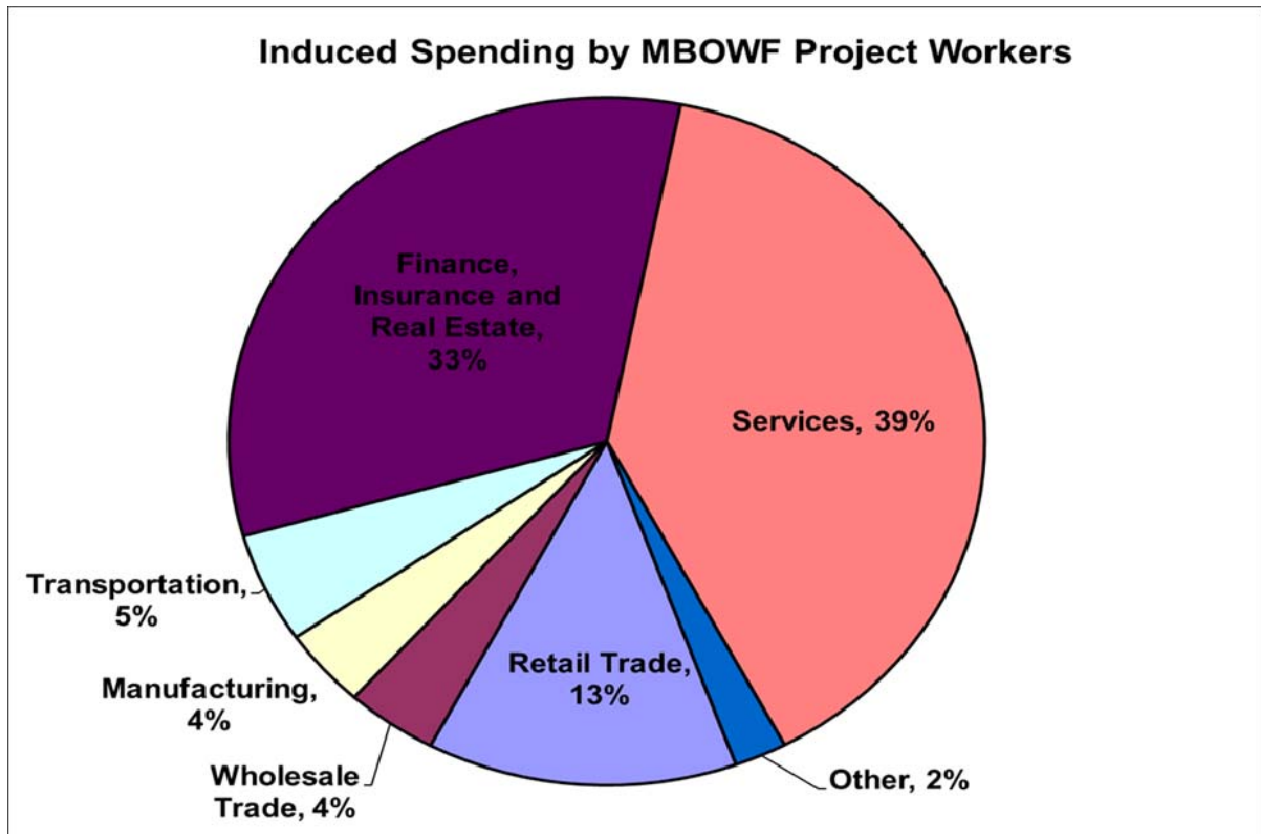
¹ Nameplate Capacity provided by Trident Winds.

² A full-time equivalent (FTE) job represents the equivalent of a single person employed for the entire fiscal year. An FTE is considered to be 2,080 hours of employment.

In addition to providing a local economic impact of over \$16 million annually, MBOWF is expected to produce a net fiscal benefit for the County of \$311,287 per year.

Figure E1 provides a breakdown of induced spending by MBOWF workers. The majority of induced spending is projected to occur in Finance, Insurance and Real Estate, Services and Retail Trade.

Figure E1. Induced Spending by MBOWF



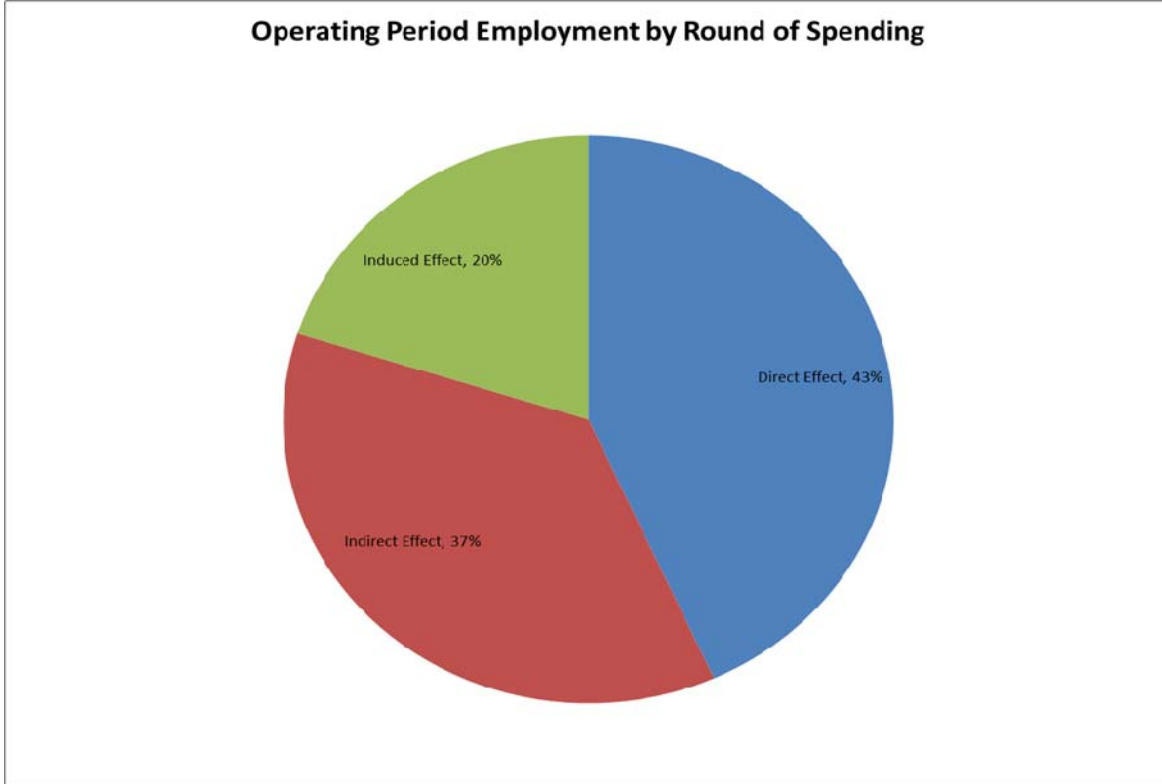
I. INTRODUCTION

This report details the economic and fiscal impacts of the Morro Bay Offshore Wind Farm (MBOWF), a 765 megawatt (MW) offshore wind farm proposed for San Luis Obispo County by Trident Winds.

During the operating period, an estimated cost of \$95 per Kilowatt is projected for local operations and maintenance (O&M) over a 30-year operating period, which is the lifetime of the wind farm considered in this report. Approximately \$1.7 million annually will be spent over this period on the estimated 28 annual workers needed to operate and maintain the plant.³ In total, MBOWF will generate an estimated 64.7 job-years annually over the 30-year operating period in San Luis Obispo County ("local economy").

Figure 1.1 presents a breakdown of the operating period employment created by round of spending in the local economy.

Figure 1.1 Operating Period Employment by Round of Spending



Earnings and output are based upon the local content assumptions recommended by BOEM.⁴ The study creates cases for local share content. Scenario 0 assumes little infrastructure and supply chain to support the new facility. Scenario B assumes a robust infrastructure and supply chain to support the industry. Because of this, Scenario B can be thought of as the long run annual impact of the facility. The following analysis will focus primarily on Scenario 0 with a brief case study of Scenario B prior to the conclusion.

³ Data provided by Trident Winds.

⁴ Speers et al. 2016, pg. 19

II. BACKGROUND

Morro Bay Offshore Wind Farm is a 765 MW alternating current (AC) wind farm currently being developed by Trident Winds. Each floating offshore wind system will consist of a commercially available floating support structure and a large offshore wind turbine generator. The proposed plant, located approximately 45 km offshore, is expected to have approximately 100 floating windmills⁵.

MBOWF relies on technology that requires no piling and is well suited for deep and variable seabed conditions. This unique method relies on anchoring and is completely reversible; no permanent damage will be done to the sea bed. The energy generated by the plant will help meet California's Renewable Portfolio Standard (RPS), which requires investor-owned utilities, electric service providers and community choice aggregators to increase procurement from eligible renewable energy resources by at least 1% of their retail sales annually to 33% by 2020. Conveying the energy produced at the plant will require interconnection to the transmission grid, an effort that will be undertaken by Trident Winds. Additional economic benefits created from construction of the interconnect are not considered in this report. The final project site will include windmills, as well as an electrical substation and maintenance facilities.

This report considers a minimum operating life of 30 years, which results in a conservative lower-bound on the economic benefits that will arise over the operating period of the project under the existing lease.

III. METHODOLOGY

The economic analysis relies on IMPLAN (Impact analysis for Planning), an input-output model developed and maintained by the Minnesota IMPLAN Group ("MIG") that is used for economic impact analysis by over 2,000 public and private institutions.⁶ The analysis draws on data collected from numerous state and federal sources, including the Bureau of Economic Analysis, Bureau of Labor Statistics (BLS), and the U.S. Census Bureau. The wind industry inputs for the analysis come from the National Renewable Energy Laboratory (NREL) and Jobs and Economic Development Impact Model (JEDI). The local share estimates come from Bureau of Ocean Energy Management (BOEM).

a. Description of IMPLAN

The IMPLAN modeling system relies on a matrix representation of the economy that describes the relationships among industries, consumers, government and foreign suppliers in order to derive the economy-wide impacts of changes in a specific industry. This matrix representation is the so-called Leontief matrix, which contains average input (purchase) coefficients that describe the mix of goods, services and labor that are required to produce a unit of output; that is, how the output of one industry is used as an input in other related industries. The resulting input-output

⁵ Information provided by Trident Winds.

⁶ MIG; http://implan.com/V4/index.php?option=com_content&view=article&id=282:what-is-implan&catid=152:implan-appliance-&Itemid=2

coefficients represent what economists refer to as production functions.⁷ The basic input-output model can be expressed in a straightforward equation: $X = (I - A)^{-1} * dY$ where (I-A) is the inverse of the Leontief matrix, dY is a change in final demand and X is output.

The IMPLAN model refines the US economy into 440 unique sectors and allows for regional disaggregation down to the county level. The model can be used to estimate the direct, indirect and induced impacts on employment, earnings and output as a result of final demand changes that result from a new investment in a particular industry or compilation of industries.⁸ The *direct effect* captures the initial change in economic activity resulting from the new investment. The *indirect effect* reflects new economic activity that is stimulated by the direct investment in industries that supply inputs to the sector of initial change. For example, increased spending on engineering consulting services to support the construction industry would be an indirect effect that arises during the construction phase of a plant. The *induced effect* captures the economic activity that results when the increased earnings generated by the direct and indirect economic activity is spent on local goods and services, for instance when workers hired to work on the wind farm spend income on groceries, clothing, financial services, real estate, and healthcare. The economic impact of the project is the sum of these direct, indirect and induced effects.

b. Description of JEDI

The Jobs and Economic Development Impact (JEDI) model, produced by National Renewable Energy Laboratory, is a screening tool that estimates the economic impacts of constructing and operating power plants, fuel production facilities, and other projects at the local and state level. Based on user-entered project data, JEDI estimates the direct, indirect, and induced effects by the creation of a new energy facility. JEDI methodology relies upon the MIG state-level data to estimate the local economic activity and the resulting impact from new energy generation plants.⁹

c. IMPLAN Inputs

The county-level economic impacts of the proposed 765MW MBOWF are estimated using IMPLAN v3. To maintain consistency with the National Renewable Energy Laboratory's (NREL's) Jobs and Economic Development Impact (JEDI) model, the 536 IMPLAN industries are aggregated into 14 sectors that correspond to distinct areas of investment related to power generation projects. The aggregated sectors are as follows: Agriculture; Construction; Electrical Equipment; Fabricated Metals; Finance, Insurance and Real Estate; Government; Machinery; Mining; Other Manufacturing; Other Services; Professional Services; Retail Trade; Transportation, Communication and Public Utilities; and Wholesale Trade.

⁷ The production functions used in IMPLAN are based on the US Bureau of Economic Analysis' (BEA's) Benchmark Input-Output Accounts.

⁸ *Final Demand* is the demand of units external to the industrial sectors that constitute the producers in the economy, e.g., households, government and foreign trade. (Miller and Blair, 1985). Output represents the value of industry production.

⁹JEDI Methodology

Economic value is generated from the direct labor requirement for operations and maintenance of the facility. The labor cost to Trident Winds is comprised of both employee wages and employee benefits. Trident Winds is projected to spend \$61,937.84¹⁰ per worker in total compensation during the operations phase of the project (the compensation rate for maintenance and repair occupations in San Luis Obispo County).

The JEDI model was utilized to generate the direct impacts to the local economy given the initial input conditions provided by Trident Wind. The direct employment results from Jedi were then inputted into an analysis by parts template to calculate IMPLAN inputs for a nonexistent industry. These results in the nonexistent industry template were imputed using the output per worker estimate for all other renewable industries. This estimate is \$394,760 output per worker¹¹. This created inputs for IMPLAN where the indirect and induced economic effects were generated. IMPLAN contains a zip code analysis allowing for results based on Morro Bay as well as SLO county.

The process was completed with two different scenarios, with different local share estimates for both SLO county and Morro Bay.

IV. RESULTS

a. Economic Impacts

The results of modeling in IMPLAN are displayed in Tables 4.1- 4.3. Tables 4.1 and 4.2, respectively, show the induced and indirect impacts of the MBO Wind Farm project on employment across the aggregated sectors underlying the study.

Table 4.1: Induced Employment Generated by Direct Spending in the Local Economy

| Industry/Sector | Operation Phase | |
|--|-----------------|-------------|
| | Jobs | % of Total |
| Agriculture | 0 | 1% |
| Mining | 0 | 0% |
| Transportation, Communication and Public Utilities | 0 | 3% |
| Construction (Maintenance & Repair) | 0 | 1% |
| Other Manufacturing | 0 | 2% |
| Fabricated Metals | 0 | 0% |
| Machinery | 0 | 0% |
| Electrical Equipment | 0 | 0% |
| Wholesale Trade | 0 | 3% |
| Retail Trade | 2 | 18% |
| Finance, Insurance and Real Estate | 1 | 12% |
| Professional Services | 1 | 6% |
| Services (except Public Administration) | 6 | 55% |
| Government | 0 | 0% |
| Total Induced Employment | 11 | 100% |

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

¹⁰ Calculated by: Direct Labor Income ÷ Direct FTE Employment. The values can be found in Figure 4.3

¹¹ Source: 2011 Minnesota IMPLAN Group, Inc.

Table 4.2: Indirect Employment Generated by Direct and Indirect Spending in the Local Economy

| Industry/Sector | Operation Phase | |
|--|-----------------|-------------|
| | Jobs | % of Total |
| Agriculture | 0 | 0% |
| Mining | 1 | 2% |
| Transportation, Communication and Public Utilities | 2 | 10% |
| Construction (Maintenance & Repair) | 3 | 11% |
| Other Manufacturing | 0 | 1% |
| Fabricated Metals | 0 | 0% |
| Machinery | 0 | 0% |
| Electrical Equipment | 0 | 0% |
| Wholesale Trade | 1 | 4% |
| Retail Trade | 1 | 3% |
| Finance, Insurance and Real Estate | 3 | 11% |
| Professional Services | 9 | 36% |
| Services (except Public Administration) | 5 | 21% |
| Government | 0 | 0% |
| Total Indirect Employment | 24 | 100% |

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

Note that the employment figures generated by IMPLAN are converted into full-time equivalent jobs (job-years) to facilitate the comparison of employment effects across sectors for different compositions of part-time and full-time employees. The employment effects reported for the operating period represent the annual impacts of the project on local job creation in SLO County over the operating horizon.

Table 4.3 depicts the local economic impact of MBOWF in terms of employment, employee compensation, and total economic output.¹² The entries in the table indicate that the proposed project will create 64.7 job-years annually over the 30-year operating period in the local economy. In total, 43% of employment creation of the project arises through direct employment effects as a result of the MBOWF facility.

The resulting impact on local employee compensation and economic output are presented in the table in 2018 dollars. Development of MBOWF will generate \$3.5 million in local employee earnings and \$16.7 million in local economic output annually over the initial 30 year operating period.

¹² Local economic impacts reflect the assumption that the construction and O&M employment requirements are met by workers located in San Luis Obispo County.

Table 4.3: SLO County Economic Impact of MBOWF

| Impact | Economic Activity | Job Years (FTEs)[1] | Employee Compensation[2] | Economic Output[3] |
|---------------------------------|---------------------|---------------------|--------------------------|------------------------|
| Operating Phase (Annual) | | | | |
| Direct | Project Development | 28 | \$1,734,259.63 | \$11,053,280.00 |
| Indirect | Local Supply Chain | 23.7 | \$1,188,398.63 | \$3,928,857.77 |
| Induced | Employee Spending | 13 | \$542,170.37 | \$1,682,374.33 |
| Total Operating Phase | | 64.7 | \$3,464,828.63 | \$16,664,512.10 |
| Total Economic Impact | | 64.7 | \$3,464,828.63 | \$16,664,512.10 |

[1] Job estimates include part-time and full-time employment

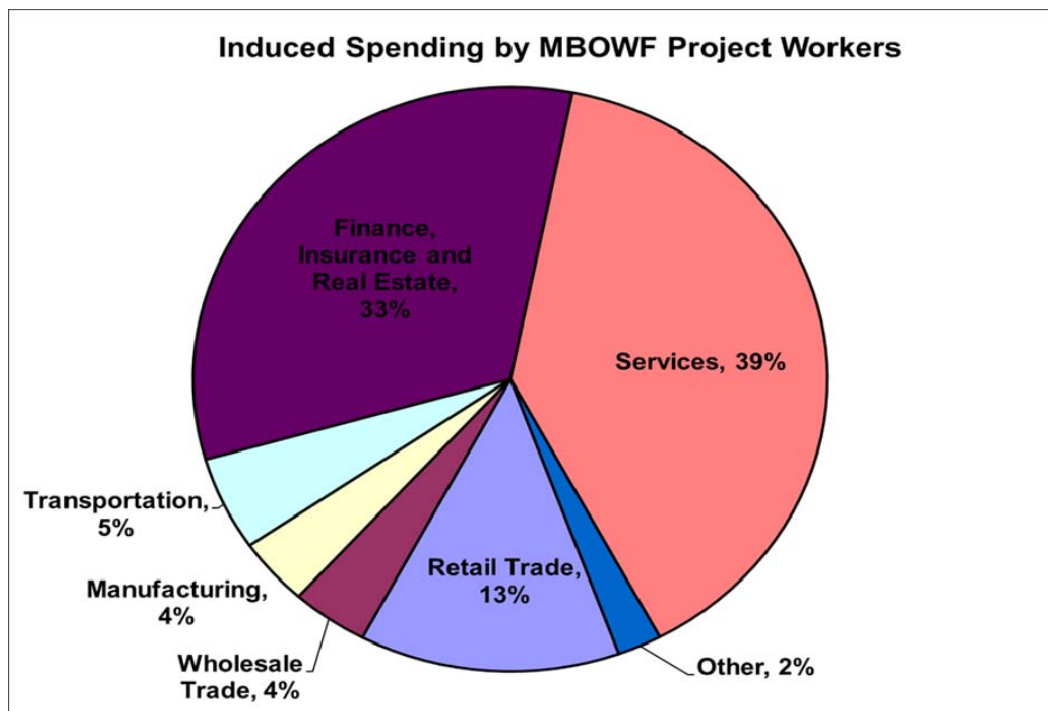
[2] Employee compensation includes wages and fringe benefits paid for by employers

[3] Economic output includes all local spending on labor, materials, and services, and does not include the value of the energy created.

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

Figure 4.1 details the distribution of induced spending by MBOWF workers across industries. The largest shares of induced spending is projected to occur in the service sector, finance, insurance and real estate industries, and retail trade, where service industries include administrative and waste services, educational services, health and social services, entertainment and recreation, professional services, and accommodation and food services. Other industries, which together account for 2% of induced spending, include agriculture, mining, construction and wholesale trade, with wholesale trade accounting for about half of spending in the category.

Figure 4.1. Induced Spending by MBOWF Project Workers



b. Fiscal Impacts

Table 4.4 displays a detailed distribution of the California state sales and use tax. SLO County will collect a local sales tax of 1% on all materials and supplies spent for the MBOWF.

Table 4.4 Distribution of Sales and Use Tax

| Purpose | Rate |
|--------------|--------------|
| State | 6.00% |
| SLO County | 0.25% |
| Local | 0.50% |
| Special | 1.00% |
| Total | 7.75% |

Source: <https://www.taxrates.com/state-rates/california/cities/morro-bay/>

Fiscal Impacts on SLO county are dependent on our percentage of local share attributed to materials and maintenance costs as well as indirect taxes from property and corporate taxes. The local share for Scenario 0 provides a smaller portion of local share value. Table 4.5 displays the aggregated sales and tax revenues collected by San Luis Obispo County in the operating phase of the project.

Table 4.5: SLO County Tax Benefits For Scenario Year 0

| Description | Employee Compensation | Tax on Production and Imports | Households | Corporations | Total |
|-----------------------------------|-----------------------|-------------------------------|-----------------|-----------------|------------------|
| Dividends | | | | | \$557 |
| Social Ins. Tax | \$7,158 | | | | |
| TOPI[1] | | \$231,302 | | | |
| Corporate Tax | | | | | \$9,927 |
| Personal Taxes[2] | | | \$62,343 | | |
| Total County and Local Tax | \$7,158 | \$231,302 | \$62,343 | \$10,484 | \$311,287 |

[1] Tax on Production and Imports includes Sales, Property, Severance, and Use taxes.

Also includes motor vehicle license and other S/L taxes.

[2] Includes Income Tax, Fines/Fees, and other licenses(Fish/Hunting)

Total state and local tax benefits total \$311,287 with 74% of revenue is generated from sales, property, severance, and use taxes. This is a conservative estimate for SLO county assuming tax revenues will take place annually during the startup period of the wind farm. This estimate is based off of IMPLAN’s estimates of fiscal impacts. Direct spending and sales tax revenue will depend on Trident Wind’s O&M estimates for materials and supply costs relative to local share of operating spending.

Scenario B for SLO county assumes a larger local share of spending for operating expenses based on a 30 year average. B implies Trident and SLO county has become a supplier for the

wind industry along the central coast and will increase indirect effects within the county. Scenario B county and local tax benefits total \$555,868 with 74.3% of revenue generated from sales, property, and use taxes.

Morro Bay Fiscal Impacts Estimate

IMPLAN has the ability to run a zip code level estimate of tax revenues from the wind farm. Scenario 0 provides a conservative estimate for total tax benefits of \$119,091 and Scenario B provides an estimate for total tax benefits of \$214,191. Tax benefits consist of sales, property, and severance tax, but Morro Bay does not receive a use tax benefit. Table 4.6 displays the aggregated sales and tax revenues collected by Morro Bay in the operating phase of the project for scenario 0.

Table 4.6: Morro Bay Tax Benefits For Scenario Year 0

| Description | Employee Compensation | Tax on Production and Imports | Households | Corporations | Total |
|---------------------------------|-----------------------|-------------------------------|-----------------|----------------|------------------|
| Dividends | | | | | \$221 |
| Social Ins. Tax | \$2,941 | | | | |
| TOPI[1] | | \$82,871 | | | |
| Corporate Tax | | | | | \$3,938 |
| Personal Taxes[2] | | | \$29,120 | | |
| Total City and Local Tax | \$2,941 | \$82,871 | \$29,120 | \$4,159 | \$119,091 |

[1] Tax on Production and Imports includes Sales, Property, and Severance taxes.

Also includes motor vehicle license and other S/L taxes.

[2] Includes Income Tax, Fines/Fees, and other licenses(Fish/Hunting)

Note that the tax revenue generated by Morro Bay is a subset of tax revenue generated by SLO county.

c. Scenario B

Scenario B looks at the potential local economic impact after the industry supply chain has had time to adjust to the introduction of the MBOWF. Over the lifespan of the wind farm, the local economy will develop to meet the needs of the facility. Scenario B estimates the impacts of the changes described above. It can be thought of as the long run annual effects of MBOWF to the local economy.¹³ Table 4.7 depicts the updated figures for the annual local economic impact with amounts to a 68% increase in job-years, 78% increase in employee compensation, and 78% increase in economic output.

¹³ Local shares for Scenario B comes from NREL Floating Offshore Wind in California: Gross Potential for Jobs and Economic Impacts from Two Future Scenarios

Table 4.7: Total Economic Impact of MBOWF for Scenario B

| Scenario B: O&M Spending in San Luis Obispo County | | | | |
|---|--------------------------|-------------------------|------------------------------|------------------------|
| Impact | Economic Activity | Job Years (FTEs) | Employee Compensation | Economic Output |
| Direct | Project Development | 50 | \$3,096,892 | \$19,738,000 |
| Indirect | Local Supply Chain | 42 | \$2,122,140 | \$7,015,815 |
| Induced | Employee Spending | 20 | \$968,161 | \$3,004,239 |
| Total Economic Impact | | 112 | \$6,187,193 | \$29,758,055 |

d. **Morro Bay Impacts**

Table 4.8 restricts the model to only the economic impact on the city of Morro Bay. The table shows an increase in 47 job-years for the local city with just under 60% of the job-years coming directly from the MBOWF over the initial 30-year operating period.

Table 4.8 Morro Bay Economic Impact of the MBOWF

| Impact | Economic Activity | Job Years | | |
|---------------------------------|--------------------------|---------------------------|--|------------------------------------|
| | | (FTEs)¹ | Employee Compensation² | Economic Output³ |
| Operating Phase (Annual) | | | | |
| Direct | Project Development | 28 | \$5,145,744 | \$11,053,280 |
| Indirect | Local Supply Chain | 13 | \$917,903 | \$1,651,398 |
| Induced | Employee Spending | 6 | \$474,679 | \$759,083 |
| Total Economic Impact | | 47 | \$6,538,326 | \$13,463,762 |

[1] Job estimates include part-time and full-time employment

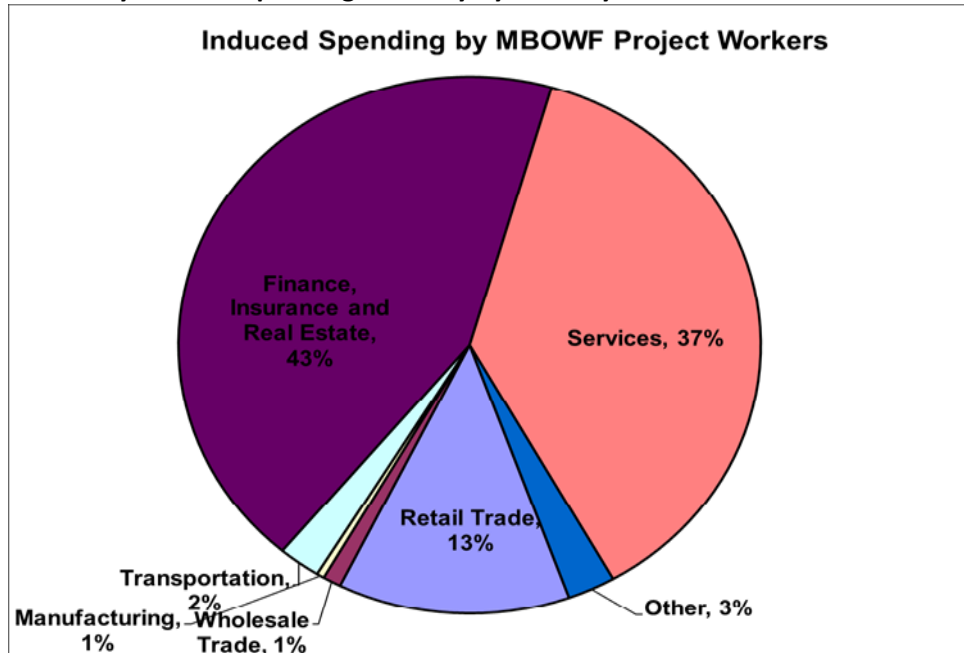
[2] Employee compensation includes wages and fringe benefits paid for by employers

[3] Economic output includes all local spending on labor, materials, and services, and does not include the value of the energy created.

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

The division of the \$759,083 annual induced spending by industry is shown in figure 4.2. Finance, Insurance and Real Estate, Services and Retail Trade making up 93% of the annual induced spending from the Trident Wind Farm.

Figure 4.2: Morro Bay Induced Spending Annually by Industry for Scenario B



e. **Commercial Fishery Impact**

The Bureau of Ocean Energy Management and US Department of the Interior funded an analysis on potential impacts to commercial fisheries due to offshore wind energy development¹⁴. The study used data collected from commercial fish tickets on over eight potential wind energy areas (WEA). The results grouped different permit subsets into five separate clusters. The study concluded with a loss of annual revenue net of variable costs (RNVC) of 2.2% in one of the five clusters, with the other four clusters having a RNVC change between a loss of 0.2% and a gain of 0.6%. All effects fell within the normal yearly deviation of the RNVC.

MBOWF could also cause an increase in potential danger to commercial fishermen due to the possibility of boats drifting into the wind farm zone during times with poor visibility such as fog and nighttime. A Danish study¹⁵ has found increased collision frequency after the erection of an offshore wind farm. This increased collision frequency was usually due to a failure on propulsion machinery instead of human or steering failure.

There is also a worry on the effect of electromagnetic fields on the fish population. While some fish species use geomagnetic fields to navigate underwater, current studies have not shown an impact from underwater wind farm cables.¹⁶

¹⁴Kirkpatrick et al., 2017

¹⁵ Christensen et al.

¹⁶Iyre et al., 2007

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Exhibit C

Summary of Fishermen's Agreement

Summary of the Mutual Benefits Agreement between

Morro Bay Commercial Fisherman's Organization, Port San Luis Commercial Fishermen Association, and Castle Wind LLC

The Morro Bay Commercial Fisherman's Organization (MBCFO), the Port San Luis Commercial Fishermen Association (PSLCFA), and Castle Wind LLC, a joint venture between Trident Winds Inc. and EnBW North America Inc., have entered into a Mutual Benefits Agreement to minimize the impacts of a future offshore wind project on the local commercial fishing community.

Castle Wind is planning to develop an offshore wind project with a grid connection in Morro Bay that will generate approximately 1,000 megawatts of clean energy for over 300,000 households and businesses. The commercial fishing industry represents a significant part of the Central Coast communities and economy. Castle Wind has been working closely with the local commercial fishing organizations for over two years to develop means to minimize the anticipated impacts in the vicinity of the planned offshore wind project.

The outcome of these negotiations is the Mutual Benefits Agreement, under which:

- MBCFO, PSLCFA, and Castle Wind will form a mutual benefits corporation in the event the Bureau of Ocean Energy Management (BOEM) issues a legally-binding lease to Castle Wind for the proposed offshore wind project.
- Castle Wind will make annual contributions to a fund, to be managed by representatives of MBCFO and PSLCFA, equal to a percentage of the annual operating fees that Castle Wind will be making to BOEM after the commercial operation date.
- The purpose of the fund is to mitigate the anticipated impacts of the offshore wind project on the local commercial fishing community and to help finance new business opportunities for their members.
- The fund will be used for improvements to the infrastructure at Morro Bay Harbor and Port San Luis, as well as to provide grants to reduce impacts to the commercial fishing industry. Those may include improvements to slips and unloading docks, safety equipment, equipment purchases or repair, improvements or repair of storage, fuel docks, or cold storage facilities, among others. The fund may also be used for activities that support the short- and long-term viability of the commercial fishing industry, including low-cost loans, community outreach, college scholarships, and internships.

In addition to the fund, the Mutual Benefits Agreement provides that:

- Members of MBCFO and PSLCFA will have the right of first offer to provide certain qualified services to Castle Wind during construction and operation of the offshore wind project.
- Castle Wind will provide training opportunities to qualified members of MBCFO and PSLCFA to apply their existing skills to the offshore wind industry.
- Castle Wind will consult with MBCFO and PSLCFA about the design of the offshore wind project and will also strive to minimize restrictions on commercial fishing in the project area.